

Hospital Provider Payment Programs

The Hospital Provider Payment Program (HPPP) was originally enacted in 2010 with the passage of House Bill (H.B.) 1055 and was effective for a three-year period through June 30, 2013. The General Assembly passed Senate Bill (S.B.) 24 in early 2013 that allowed for the continuation of the program through June 30, 2017. S.B. 70, passed in 2017, continues the program through June 30, 2020. S.B. 70 authorizes the Department of Community Health to assess one or more provider payments on hospitals for the purpose of obtaining federal financial participation for Medicaid. The department promulgated rules in the spring of 2013 to continue the HPPP program and created a new program, the Hospital Medicaid Financing Program (HMFP). The HMFP is designed to increase Medicaid payments to help a subset of private hospitals participating in the HPPP and is often referred to as the “Tier 2” Program.

The Hospital Provider Payment Program

The Hospital Provider Payment Program (HPPP) requires that most Georgia hospitals make quarterly payments to the state based on a percentage of their annual net patient revenue. Three types of hospitals are exempt from making the payment: critical access hospitals, state-owned or state-operated hospitals, and free-standing psychiatric hospitals. Trauma hospitals have a lower payment rate at 1.40 percent of net patient revenue, while all other hospitals are subject to the payment rate of 1.45 percent. Hospitals may count their provider payment toward any indigent care requirements they have related to their Certificates of Need.

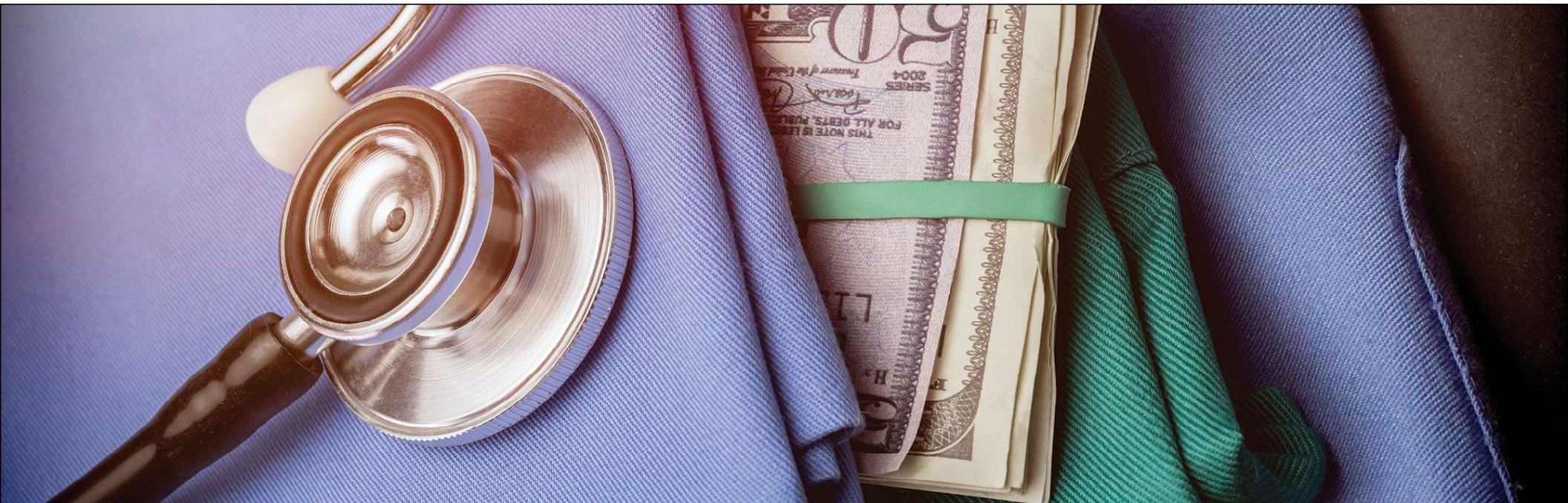
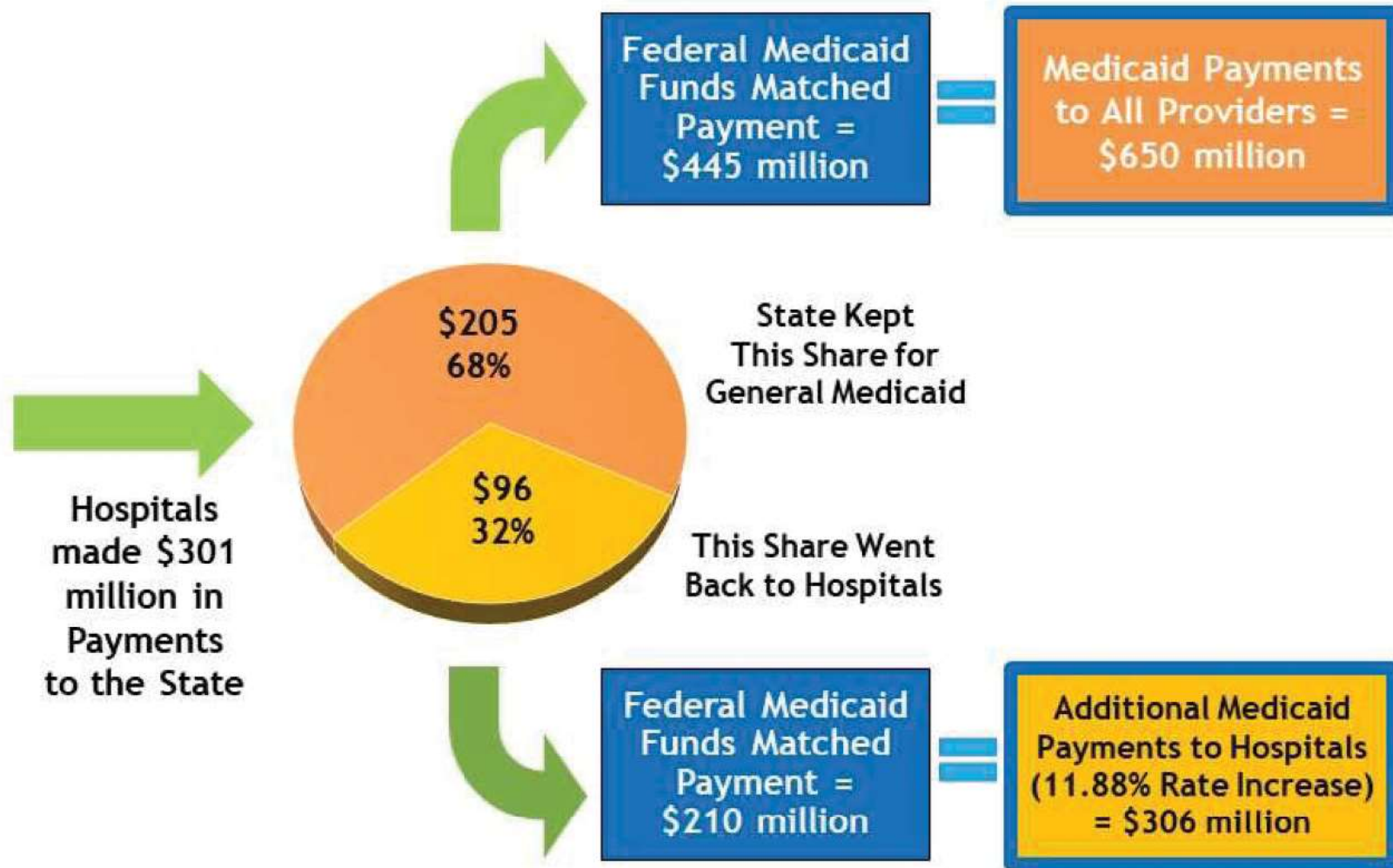


Figure 13

Hospital Provider Payment Program - FY 2018



Payments made by hospitals are deposited into the state's Indigent Care Trust Fund and, per state statute, used strictly for the Medicaid program. As shown in Figure 13, in FY 2018, approximately 32 percent of the payments were used to finance the state share of a hospital Medicaid payment add-on of 11.88 percent while the remaining 68 percent was used as one of the fund sources for the state's share of Medicaid payments to all providers.⁶⁷ The hospital Medicaid payment add-on is intended to help offset the cost of the program payments for hospitals serving the Medicaid population. In FY 2020, hospitals will pay an aggregate of \$336 million to the state in Hospital Provider Payments.

Because the amount a hospital pays to the state has no direct correlation to its Medicaid payments, the fiscal impact to an individual hospital can vary greatly. Based on a GHA analysis of FY 2018 program activity, 48 hospitals had a cumulative net positive impact of \$88 million, while almost two-thirds, or 74, had a cumulative net negative impact of \$83 million. The individual hospital net impact in FY 2018 ranged from a loss of \$10.7 million to a gain of \$28.7 million.⁶⁸

The Hospital Medicaid Financing Program

Participation in the Hospital Medicaid Financing Program (i.e., the Tier 2 Program) is currently limited to a subset of private hospitals. Specialty hospitals, public hospitals, critical access hospitals and free-standing psychiatric hospitals are exempt from the Tier 2 program. Participating hospitals make periodic contributions to the state based on their non-Medicare inpatient bed days. These contributions are used to finance the state share of federally funded supplemental payments made to those hospitals making the contributions as well as private Long-Term Acute Care hospitals participating in the Medicaid program. Contributions vary depending on the level of supplemental payments available and the amount of state share needed.

Tier 2 hospital payment amounts are determined based on the hospital's annual volume of Medicaid business. Participating hospitals may receive additional payments if they meet one or more of the following criteria:

- Treat higher acuity Medicaid beneficiaries;
- Provide organ transplant services;
- Operate as an American College of Surgeons certified cancer center or breast cancer center;
- Have a large capacity to treat inpatient psychiatric patients; or
- Are rural hospitals serving as a telemedicine presenting site.

In FY 2018, the fifth year of the Tier 2 program, 44 participating private hospitals received a total of \$54 million after making \$17 million in contributions.⁶⁹ For the 32 Tier 2-eligible hospitals with net negative losses in the HPPP in FY 2018, Tier 2 payments eliminated the losses for 11 hospitals and cumulatively reduced the losses of the remaining 33 hospitals by 51 percent.⁷⁰ In FY 2019, 47 participating private hospitals received a total of \$28 million after making \$10 million in contributions.⁷¹